

***United States Court of Appeals
for the Second Circuit***



**PETITION FOR
REHEARING
EN BANC**

ORIGINAL

76-7134

United States Court of Appeals

For the Second Circuit

U. S. PHILIPS CORP.,

Plaintiff-Appellee,

v.

NATIONAL MICRONETICS INC., *et al.*,

Defendants-Appellants,

v.

NORTH AMERICAN PHILIPS CORPORATION and
N.V. PHILIPS GLOEILAMPENFABRIEKEN,

Counter-Defendants.

PETITION FOR REHEARING

(Pursuant to Rule 40)

and

SUGGESTION FOR REHEARING IN BANC

(Pursuant to Rule 35(b))

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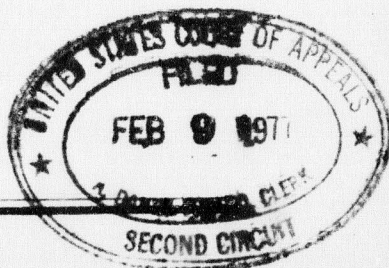


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PETITION FOR REHEARING

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(Pursuant to Rule 35(b))

Petitioners, Defendants-Appellants (National), respectfully petition the Court for rehearing pursuant to Rule 40 of the Federal Rules of Appellate Procedure on three grounds:

1. The majority opinion overlooked entirely Point 2 of the issues presented to the Court, which reads:

“Did the District Court err when it found the patent valid on the basis of a distinction over the prior art which is not recited in the claims?”

(In fact, the majority opinion sustained the claims based on the same distinction not found in the claims).

2. Even assuming patentable invention, the validity of the claims 6-9 was not considered and those claims are invalid for overclaiming.

3. The majority opinion overlooked the rule in *Graham v. John Deere Co.*, 383 U.S. 1, 36 (1966), that unsuccessful attempts to reach a solution to the problem made prior to the date of the most pertinent prior art are "wholly irrelevant". (In fact, the majority opinion based its decision of unobviousness on purportedly unsuccessful attempts over a period of years, all made prior to the date of the most pertinent prior art. There was no unsuccessful attempt after the date of the most pertinent prior art, and the "invention" followed within a few months.)

* * *

Petitioners also suggest the appropriateness of a rehearing in banc to secure uniformity of decisions on the issue of obviousness. This request is particularly timely in view of the fact that the standard of patentability in this Circuit has very recently been questioned by at least two members of the Supreme Court.*

Discussion

Petition for Rehearing

The Majority Opinion Overlooked an Issue on Appeal—the Invention Found Is Not Recited in the Patent Claims.

As Judge Van Graafeiland in his dissenting opinion wrote,

"Reduced to its bare bones, the 'invention', for which appellees have been granted a 17-year monopoly, consists of filling a narrow space between two pieces of metal with a melted non-magnetic material such as glass through capillary action."

* *Roanwell Corp. v. Plantronics, Inc.*, — U.S. —, 192 U.S. P.Q. 65 (Dec. 6, 1976).

On the state of the prior art, the District Court said at A-64a,*

"The prior art indicates the widespread use of capillary action to fill minute gaps * * *."

How then did the District Court arrive at a conclusion of patentability? It did so on the basis that the precise dimensions of a pre-set gap constituted a distinguishing feature over the prior art. It explicitly so stated (at A-65a):

"The *crucial* feature, in the Court's view is the use of capillary action to fill a *pre-set* gap of *precise reproducible dimensions*." (emphasis supplied)

The first basic error committed by the Court arises from the fact that none of the claims in issue specifies the preciseness of the gap or use any words suggestive of a gap that is precise or reproducible. The claims simply refer to a gap and as recognized by the District Court the filling of minute gaps by capillarity was in widespread prior use. Accordingly, we submitted to this Court for review in Point 2 the specific issue of whether the District Court erred by sustaining a patent based on a distinction over the prior art which is not found in the claims.

The doctrine that differences over the prior art which are not contained in the claims cannot serve as a basis for the grant of a patent is basic. The question was briefed at pages 27-29 of our main brief and pages 11-12 of our reply brief. The Court of Appeals like the District Court overlooked this point and based its holding on the preciseness of the gap.** *Graham v. John Deere Co.*, 383 U.S. 1, 17

* References are to the Joint Appendix filed on appeal.

** Although the preciseness of the gap played a determining role in the majority's opinion, the claims are asserted against Micronetics' products having gap lengths which vary within a 40% range, hardly "precise". See our brief on appeal, page 28.

(1966); *Koppers Co., Inc. v. S&S Corrugated Paper Mach. Co., Inc.*, 517 F.2d 1182 (2 Cir. 1975); *Julie Research Laboratories Inc. v. Guideline Inst., Inc.*, 501 F.2d 1131, 1136 (2 Cir. 1974); *Indiana General Corp. v. Krystinel Corporation*, 421 F.2d 1023, 1032 (2 Cir. 1970).

Accordingly, we submit this petition for rehearing should be granted because the majority failed to pass on Point 2 of our appeal.

The Majority Opinion Did Not Specifically Consider the Individual Claims—Claims 6-9 Are Invalid for Overclaiming Even If There Is Invention Here.

The product of the patent in suit is a bonded bar which is a staple article of commerce. This bonded bar is the subject of claims 1-5, 10 and 11 of the '383 patent in suit.

In addition to claiming capillary bonding, independent claim 6 and its dependent claims 7-9 also cover the process of slicing the bonded bars into individual head cores.* The Peloschek patent, however, contributed nothing to the technology of slicing bonded bars into individual cores. The slicing proceeds identically as in the old bonded bar (Duinker '772, Fig. 4; DX-J, A-525a). "The question then is whether, by this method, the patentee, by improving one element of an old combination whose construction and operation are otherwise unchanged, may in effect, repatent the old combination [slicing glass bonded ferrite bars] by claiming it with the improved element substituted for the old element [bonding by capillary]. That this cannot be done is shown by numerous cases in this and other federal courts." *Bassick Mfg. Co. v. R.M. Hollingshead Co.*, 298 U.S. 415, 425 (1935); *Lincoln Engineering Co. of Illinois v.*

* After reciting the capillary bonding of the ferrite bars, the claims 6-9 go on to recite "and then cutting the assembly along mutually perpendicular axes to form a plurality of head portions."

Stewart-Warner Corp., 303 U.S. 545, 549 (1938); *Stukenborg v. Teledyne, Inc.*, 441 F.2d 1069, 1072 (9 Cir. 1971); *Trico Products Corp. v. Roberk Co.*, 369 F. Supp. 1146, 1155-6 (D.Conn. 1973), *aff'd* 490 F.2d 1280.

Claims 6-9 are thus invalid for simply reclaiming the old slicing process step.

The distinction is not academic. There is a several fold damage difference in the value of a bonded bar as a putative damage base for calculation of a reasonable royalty rate, and the value of cores formed after slicing bonded bars.

The Majority Opinion Failed to Apply the Graham Rule Regarding the Irrelevancy of Unsuccessful Attempts Before Publication of the Best Prior Art.

The several earlier patents upon which the majority opinion relies to establish the existence of a "problem" were filed over a period of time earlier than the most pertinent prior art. This reliance violates the rule set forth in the *Graham* case at 383 U.S. 36, where the Court held that unsuccessful attempts to reach a solution to a problem *made prior* to the date of the most pertinent prior art are "wholly irrelevant" as indicia of invention.

Peloschek's co-worker Duinker furnished Peloschek with the *prior art* glass-bonded ferrite core having the identical assembly of components: the ferrite material, the identical glass filled gap of the same microscopic size formed by the identical shims. The prior art patent to Duinker '367 (DX-K, A-529a), did not issue until 1964, showing for the first time in the *identical assembly of parts*, the use of spacers to define the gap. That is, it was not until 1964 that the idea of defining gap length by the thickness of interposed shims was disclosed. That patent and that teaching

was thus unavailable to those in the art prior to 1964. Peloschek and Vrolijk, however, were given Duinker's internal Philips' reports which expressly suggested the use of spacers. Thus, uniquely informed of Duinker's spacer idea in the identical glass-bonded ferrite core, Peloschek and Vrolijk promptly considered the capillary technique which had been in widespread use.

By applying the rule of the *Graham* case to the facts of this case all of the patents prior to this Duinker '772 patent, i.e., all of the prior patents upon which the majority relies to establish the existence of a problem, must be deemed "wholly irrelevant". If the longevity of the "problem" is measured from the date of the most pertinent prior art, as required by *Graham*, the time involved is from one to two months!

Moreover, it is respectfully submitted that the mere existence of prior patents commenting on a problem, without more, is never an accurate measure of a problem. First, almost all patents, simply as a matter of form, refer to a "problem". Second, the "problem" may well be the result of the inventor's inexperience or lack of familiarity with the field. This happened in this very case as Vrolijk testified he was not aware that anyone had used capillarity as a manufacturing technique. At trial, evidence was adduced establishing that capillarity had in fact been in widespread use in the electronic and magnetic industries to fill minute gaps. Thus, reference to a problem by Vrolijk was simply because he was ill-informed, not because there was a problem.

If a "problem" can be constructed merely on the existence of prior patents, every plaintiff can fabricate the existence of a problem with the same ease that the "prob-

lem" was fabricated here. It is for this reason that reliance on patents prior to the most pertinent prior art is not permitted and that the Supreme Court held unsuccessful attempts prior to such art are "wholly irrelevant".

It is submitted that the petition for rehearing should be granted.

SUGGESTION FOR REHEARING *IN BANC*

To Secure Uniformity of Decisions

It is suggested that the standard of obviousness in this Circuit is not presently uniform and has come to depend largely on the panel which is sitting at the time. A patent case which is vested with so much public interest, and which has consequences so potentially grave as to result in a possible award of enormous damages and to eliminate a business by injunction, should not depend on the "luck of the draw".

This case is uniquely suited for a rehearing in banc both in terms of substance and timing.* It is unique in substance because Judge Van Graafeiland in a strong dissent would have found the patent invalid for obviousness. It is submitted, his standard of invention is shared by several of the judges in the Circuit. It is unique in timing because two Justices of the Supreme Court have just recently indicated that the panel in this Court which found the patent valid in the *Roanwell* case did not follow the longstanding principles enunciated by the Supreme Court.

* The Seventh Circuit, *sua sponte*, in *Armour & Co. v. Wilson & Co.*, 274 F.2d 143, 151, reviewed *in banc* the standard of invention to establish uniformity of approach in resolving the issue of obviousness.

***Brief Review of the Patent
Sustained by the Majority***

Judge Van Graafeiland described the patented invention as the filling of a "narrow space between two pieces of metal with a melted non-magnetic material such as glass through capillary action."

He characterized the level of "invention" as:

"an adaptation of a physical process familiar to every embryonic schoolboy scientist who has watched his blotter absorb ink."¹

1. "The schoolboy scientist, were he willing to spend five minutes on research, would have learned that capillarity works most effectively in narrow spaces."

In order to understand the nature of the "inventive" act, it is important to realize that the prior art consisted of the identical magnetic core, *i.e.*, magnetic pieces spaced apart a preset minute distance by spacers, and the magnetic pieces bonded together by glass. In the prior art process the glass was located between the magnetic pieces before melting the glass (as in a melted cheese sandwich), whereas in the patented process the glass was located at the edge of the two magnetic pieces before melting the glass. Upon melting, the glass was drawn into the gap by capillary (as the plumber draws lead into a heated pipe joint). That is the complete and total difference between the prior art and the patented process. In both the prior art and patented process, the end product is the identical glass-bonded core in which the glass bonds the two magnetic pieces together. The majority opinion spoke of the pressure as contributing to the bond in the prior process. That is incorrect; it is the glass that serves as the glue, and it is only the glass that bonds in both the prior and patented processes.

***The Conflict in Opinions on
the Issue of Obviousness***

It is apparent from reading the majority and dissenting opinions that the two standards of invention applied are at opposite poles. The majority considers the act of using capillary a "flash of brilliance"; the dissent considers it so obvious that "The schoolboy scientist, were he willing to spend five minutes on research, would have learned that capillarity works most effectively in narrow spaces" (p. 1341, Slip Opinion). We submit, if Judge Graafeiland had been sitting with any member of the panel who found the zoom lens invalid,¹ or with any member of the panel who found the basic F.M. Stereo patent invalid;² or with the panel who found the tranquillizer "Miltown" patent invalid;³ or with the panel who found the ferrite patent invalid;⁴ the patent in suit would have been found invalid. The level of the inventive act herein clearly is considerably lower than the level of the inventive acts which were held unworthy of 17 years of monopoly in those other patents.

***The Majority Opinion Accorded Undue
Weight to "Secondary" Considerations
in Determining Non-Obviousness.***

The irreconcilable difference separating the majority opinion from the dissent is attributable to the differing importance each attached to the "secondary" tests of invention and particularly to the so-called long-felt need or "problem". Although under the rule of the *Graham* case there was no "problem" at all, even if such had existed it was, we submit, error to accord it such significance as it

1. *Zoomar, Inc. v. Paillard Products, Inc.*, 258 F.2d 527.

2. *Preuss v. General Electric Co.*, 392 F.2d 29.

3. *Carter Wallace v. Otte*, 474 F.2d 529.

4. *Indiana General Corp. v. Krystinel Corp.*, 421 F.2d 1023.

received in the majority opinion. The controlling consideration should have been the lack of invention as articulated by Judge Van Graafeiland in his dissenting opinion. The lack of invention would have been evident if the majority had applied the primary tests of the *Graham* case.

The question of the significance to be accorded "secondary" considerations is itself of major importance in the development of the patent law. It was essentially the subject of the unusual dissent on the application for Writ of Certiorari in the *Roanwell* case. As Justice White stated in his opinion (with whom Justice Brennan concurred), attaching undue importance to secondary considerations in determining the question of obviousness "involve[s] * * * such a departure from long-standing principles of patent law" that in his opinion the Supreme Court should have taken jurisdiction of the case to correct such error.

The markedly different standards of invention emanating from this Circuit appear to be the result of the varying degrees of importance applied by the different panels to the secondary tests. It is difficult to rationalize the decisions of the majority herein with the dissent and the decisions in the *Zoomar* case, the *F.M. Stereo* case, and the other cases mentioned previously, except by focusing on the disparate and non-uniform importance each attached to the secondary tests, and particularly to the so-called long-felt need or "problem".

There is even a conflict between the panels of this Court as to whether the word "secondary" means subordinate in importance or merely "second" to be considered. In *Timely Products Corp. v. Arron*, 523 F.2d 288, 294, Judges Mulligan, Gurfein and Conner, per Judge Conner, stated the term "secondary" indicates only that they are to be considered *after* the primary factors, not because they are

less important. In *MacLaren v. B.I.W. Group, Inc.*, 535 F. 2d 1367, 1376, Judges Friendly, Mansfield and Mulligan, per Judge Mansfield, stated that "secondary" means of distinctly secondary importance.

It thus appears that guidelines are clearly needed to establish uniformity as to the basic standard of non-obviousness to be applied in this Circuit, and to the importance which will be attributed to the secondary tests. The *Roanwell* dissent underscores this need.

Conclusion

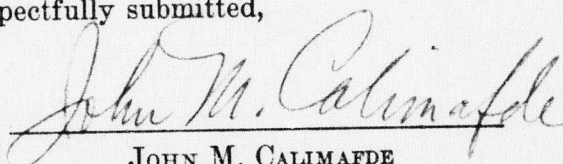
The effect of the majority opinion is to prohibit the industry from using the heretofore widely used and old capillary process for a period of 17 years. Indeed, it is to reward the corporation who can afford to file a patent application on every miniscule and trifling idea, and who can assert such patents against those who can't afford to pay the premium to enter the monopolistic sanctuary. As an illustration, in this case Philips obtained a first patent on the glass-bonded core in which the glass and ferrite have equal expansion characteristics, No. 3,024,318; a second patent on the sandwich process with no shims, No. 3,145,453; a third patent on the sandwich process with shims, No. 3,117,367; a fourth patent on slicing the ferrite core into pieces, No. 3,094,772; a fifth patent on the use of a glass rod instead of glass foil in the sandwich process, No. 3,375,575; and a sixth patent on the capillary process. It has effectively blanketed the entire field of magnetic core manufacture with trivial patents and secured a string of monopolies beginning in 1962 and the last of which will not expire until 1983.

The standard of "obviousness" applied by the majority in this case is in direct opposition to the standard articu-

lated in the dissent. The need for a uniform standard of invention consistent with the principles enunciated by the Supreme Court in the *AdP* case, the *Graham* case, *Anderson's Black-Rock* case, and the most recent *Sakraida* case is obvious and this case provides the Court with an ideal opportunity to do so.

It is requested that this petition be granted.

Respectfully submitted,



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Service of 2 copies of the
within Brief is hereby
admitted this 9th day of
Feb 1977

Signed Dady & Dady

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